

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02
SS-15 STR-04 TRSE-00 ACDA-07 FEA-01 PA-01 PRS-01 /100 W
----- 078394 /17

R 211000Z DEC 76
FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 5636
INFO AMEMBASSY TEHRAN
AMEMBASSY JIDDA
AMEMBASSY DOHA

C O N F I D E N T I A L ALGIERS 2976

E.O. 11652: GDS
TAGS: PFOR, ENGR, AG
SUBJECT: ALGERIA AND OIL PRICES

1. WE EXPECTED ALGERIANS TO GO ALONG WITH SAUDIS AT DOHA AS THEY HAD AT BALI. WHILE ALGERIANS OBVIOUSLY ANXIOUS FOR PRICE RISE, WE BELIEVED THAT ULTIMATELY THEY WOULD SETTLE FOR WHATEVER SAUDIS ACCEPTED.

2. IN RETROSPECT, DIVISIONS WITHIN OPEC, AND ALGERIAN VIEW ON THESE DIVISIONS, SHARPER THAN WE THOUGHT. DURING VISIT OF IRANIAN MINISTER OF STATE YEGANEH HERE BOUMEDIENE IS SAID TO HAVE INFORMED HIM THAT HE HAD TOLD SAUDI PRINCE FAHD IN EARLY DECEMBER DISCUSSION THAT SHOULD SAUDIS GO IT ALONE IN OR OUT OF OPEC THEY WOULD LOSE MUCH OF THEIR POWER AND INFLUENCE. SUCH A COMMENT, COMING IN EARLY DECEMBER, SUGGESTS IRRECONCILABLE DIVISION AT DOHA POSSIBILITY EVEN THEN.

3. FURTHERMORE, YEGANEH'S VISIT APPARENTLY HARDENED ALGERIAN LINE. IRANIAN AMBASSADOR SAYS THAT
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YEGANEH CAME TO PROMOTE 15 PERCENT PRICE RISE AND THAT BOUMEDIENE AND YEGANEH AGREED THAT ALGERIA WOULD WORK WITH IRAN FOR MINIMUM INCREASE OF BETWEEN 10 AND 15 PERCENT AND NOT ACCEPT LESS. (IRANIAN AMBASSADOR COMMENTED IN ASIDE THAT BOUMEDIENE HAD RIDICULED IRAQI 26 PERCENT PROPOSED INCREASE, COMMENTING THAT GIVEN

IRAQI PRICE CUTTING HABITS THAT IF THEY GO 26 PERCENT THEY WOULD ONLY INCREASE PRICE 15 PERCENT ANYWAY).

4. BOUMEDIENE ALSO ALLEGED TO HAVE TOLD YEGANEH THAT OPEC SHOULD FIND WAY TO "DEPOLITICIZE" QUESTION OF PRICE OF OIL SO AS TO AVOID IT BECOMING SUBJECT OF INTERNATIONAL FOCUS EVERY SIX MONTHS WITH ACCOMPANYING PRESSURES. (HE MAY HAVE HAD OUR AIDE MEMIRE ON HIS MIND). BOUMEDIENE SUGGESTED TO YEGANEH THAT MECHANISM BE DEVELOPED TO PROVIDE FOR AUTOMATIC PRICE INCREASES WITHOUT INCREASES HAVING TO BE REHASHED EVERY MEETING. IRANIAN AMBASSADOR COMMENTED THAT YEGANEH HAD AVOIDED SUBSTANTIVE RESPONSE.

5. COMMENT: DESPITE IRANIAN AMBASSADOR'S ASSERTION OF COORDINATED POSITION WITH ALGERIANS ON PRICE RISE, WE DEDUCE FROM REPORTING ON DOHA CONFERENCE THAT ALGERIA STAYED QUIET AND IN BACKGROUND ON PRICE ISSUE AND WE STILL SUSPECT THAT HAD SAUDIS ENGAGED IN ANY ARM TWISTING ALGERIANS WOULD HAVE BEEN AMONG FIRST TO CAVE. WE PRESUME ALGERIANS ATTENTION NOW FOCUSED ON TRYING TO FIGURE OUT WHAT CURRENT SITUATION MEANS FOR ALGERIA. WE ARE PERSUADED THAT, GIVEN PAST RECORD, ALGERIANS WILL BE AMONG FIRST TO ENGAGE IN PRICE SHAVING SHOULD IT BECOME NECESSARY TO GET RID OF THEIR OIL. DIFFERENTIAL APPLIED TO ALGERIAN OIL COMBINED WITH PROBABLE INCREASE IN TANKER RATES AS RESULT OF WHAT APPEARS LIKELY TO BE INCREASED SHIPMENTS FROM GULF WILL GIVE ALGERIANS ROOM IN WHICH TO PLAY AROUND.
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